

Message Text

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12

ACTION EA-09

INFO OCT-01 ISO-00 EB-07 COME-00 CIAE-00 INR-07 NSAE-00

USIA-06 /030 W

----- 129909

R 290730Z OCT 76

FM USLO PEKING

TO SECSTATE WASHDC 6674

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

CINCPAC FOR POLAD

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E.O.11652: N/A

TAGS: ETRD CH

SUBJECT: FALL 1976 CANTON TRADE FAIR

1. SUMMARY. HIGHER PRICES, LIMITED SUPPLIES, AND SOME CONFUSION DESCRIBE THE FIRST WEEK OF THE FALL CANTON FAIR. ACROSS-THE-BOARD PRICE INCREASES RANGED FROM 10-15 PERCENT FOR JEWELRY AND CARVINGS TO 30-40 PERCENT FOR TEXTILES. SEVERAL AMERICANS EXPRESSED CONCERN THAT THESE MOST RECENT PRICE INCREASES, PARTICULARLY IN TEXTILES, COMBINED WITH HIGH COLUMN TWO US DUTY, WOULD MEAN THAT MANY CHINESE PRODUCTS WOULD BE NONCOMPETITIVE IN THE US MARKET. THE SUPPLY SITUATION ALSO APPEARS DISCOURAGING. MANY COMMODITIES ARE IN EXCEPTIONALLY SHORT SUPPLY AND NUMEROUS BUSINESSMEN HAVE RECEIVED ONLY A SMALL PERCENTAGE OF WHAT THEY ASKED TO BUY. THE SHORTAGES ARE PROBABLY DUE TO CHINESE OVERSELLING EARLIER THIS YEAR, EARTHQUAKE DAMAGE TO PRODUCTION FACILITIES, AND SHIPPING PROBLEMS. SEVERAL AMERICAN BUSINESSMEN FOUND A "TAKE-IT-OR-LEAVE-IT" ATTITUDE AMONG SOME CHINESE OFFICIALS, WHILE OTHER AMERICANS WERE COUNSELED TO REMAIN PATIENT AND WERE TOLD THAT TRADE PROSPECTS WERE LIKELY TO IMPROVE IN THE FUTURE. LACK OF US

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MFN FOR CHINA WAS CITED BY CHINESE FAIR OFFICIALS

AS AN EXAMPLE OF AMERICAN DISCRIMINATION AGAINST CHINA. AS FOR RUMORS THAT THE SPRING FAIR MIGHT BE ELIMINATED, CHINESE OFFICIALS MADE A POINT OF TELLING VISITORS THAT THERE WILL BE NO CHANGE FROM PAST PRACTICE. USLO IDENTIFIED APPROXIMATELY 75 AMERICAN COMPANIES, REPRESENTED BY 160 AMERICANS, PRESENT DURING THE FIRST WEEK OF THE FAIR. END SUMMARY.

2. THE FORTIETH SESSION OF THE CHINESE EXPORT COMMODITIES FAIR OPENED ON OCTOBER 15 IN CANTON. A WELCOMING BANQUET HELD THAT EVENING FOR VISITING BUSINESSMEN WAS PRESIDED OVER BY LIN LI-MING, VICE CHAIRMAN OF THE KWANGTUNG PROVINCIAL REVOLUTIONARY COMMITTEE AND CHAIRMAN OF THE FAIR, AND BY CHAI SHU-FAN, VICE MINISTER OF FOREIGN TRADE.

3. ALTHOUGH CHINESE OFFICIALS DID NOT PROVIDE ATTENDANCE FIGURES, THE FIRST DAYS OF THE FAIR WERE SIMILAR TO THIS YEAR'S SPRING FAIR IN THE LARGE NUMBER OF FOREIGN VISITORS. MANY BUSINESSMEN FOUND THEMSELVES SHARING THEIR ROOMS WITH AT LEAST ONE AND EVEN TWO STRANGERS. SOME DECIDED TO COME EARLY TO PUT IN BIDS FOR THE EXPECTED SMALL SUPPLIES OF MANY COMMODITIES. THE SCRAMBLE TO BEAT THE COMPETITION RESULTED IN MASSIVE CONFUSION IN THE DISCUSSION AREAS OF THE FAIR AS VISITORS COMPETED FOR APPOINTMENTS WITH FOREIGN TRADE CORPORATION OFFICIALS. DURING THE FIRST FEW DAYS THERE WERE MANY COMPLAINTS ABOUT THE DIFFICULTY OF OBTAINING APPOINTMENTS AND ABOUT THE GENERAL CONFUSION. HOWEVER, BY THE END OF THE FIRST WEEK, THE HOTEL SITUATION HAD EASED AND THE DISCUSSION AREAS HAD RETURNED TO THEIR NORMAL, MERELY HECTIC, ATMOSPHERE.

4. DURING THE FIRST WEEK, USLO IDENTIFIED SEVENTY-FIVE US COMPANIES IN ATTENDANCE, REPRESENTED BY APPROXIMATELY 160 AMERICANS. MANY WERE SMALL IMPORT FIRMS INTERESTED IN SMALL PURCHASES OF SUCH ITEMS AS CARPETS, JEWELRY, STRAW AND WILLOW PRODUCTS, AND TEXTILES.

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5. BUSINESS. WITHIN DAYS OF THE OPENING, MANY BUSINESSMEN BEGAN TO COMPARE THE FAIR TO THIS YEAR'S DISAPPOINTING SPRING FAIR. SUPPLIES OF MANY COMMODITIES AGAIN APPEAR EXTREMELY TIGHT. CHINESE OVERSELLING EARLIER THIS YEAR, EARTHQUAKE DAMAGE TO PRODUCTION FACILITIES, AND SHIPPING PROBLEMS WERE REFERRED TO BY MANY BUSINESSMEN AS PROBABLE CAUSES FOR THE SHORT SUPPLIES. POPULAR ITEMS SUCH AS STRAW AND

PLAITED PRODUCTS, BRISTELS, DOWN AND FEATHERS, FROZEN SHRIMP, AND CERTAIN COTTON PRODUCTS (PARTICULARLY DENIM, CORDUROY, AND FLANNEL GARMENTS AND PIECE GOODS) WERE EXCEPTIONALLY LIMITED. MANY BUYERS WERE LIMITED TO PURCHASES OF ONLY TEN PERCENT OF WHAT THEY HOPED TO BUY. BUSINESS IN ITEMS SUCH AS CHEMICALS, METALS AND MACHINERY WAS SLUGGISH THROUGH THE FIRST WEEK, WITH CHINESE NEGOTIATORS EXTREMELY RELUCTANT TO TALK SPECIFICALLY ABOUT THEIR SUPPLY SITUATION.

6. PRICES. PRICES ARE UP ACROSS THE BOARD. THE INCREASES OVER THE SPRING FAIR RANGE FROM ABOUT 10 PERCENT TO 40 PERCENT FOR MOST PRODUCTS, BUT WITH EVEN STEEPER INCREASES FOR SEVERAL OTHERS. THE MOST TALKED ABOUT INCREASES ARE IN TEXTILES, WHICH SEEM TO AVERAGE AT LEAST 30-40 PERCENT. THE SEARS REPRESENTATIVE WHO HAD BOUGHT CONSIDERABLE QUANTITIES OF READY-TO-WEAR CLOTHING EARLIER THIS YEAR, FOUND EVEN SHARPER INCREASES WHEN HE ATTEMPTED TO PURCHASE FLANNEL

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 COME-00 USIA-06 CIAE-00 INR-07

NSAE-00 /030 W

----- 130201

R 290730Z OCT 76

FM USLO PEKING

TO SECSTATE WASHDC 6675

INFO AMEMBASSY TAIPEI

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SHIRTS: A DOZEN SHIRTS FOR WHICH HE HAD PAID \$22 IN THE SPRING ARE NOW UP TO \$31.50. ALTHOUGH HE THOUGHT THE PRICES WILL BE IN LINE WITH THE WORLD MARKET NEXT SPRING AND SUMMER, HE SAID HE DID NOT MAKE ANY PUR-

CHASES BECAUSE US COLUMN TWO DUTY MAKES THE SHIRTS NONCOMPETITIVE IN THE US MARKET. THE J.C. PENNEY REPRESENTATIVE WAS FACED WITH SIMILAR PROBLEMS AND EXPRESSED DISAPPOINTMENT THAT A PROMISING TRADE RELATIONSHIP WOULD PROBABLY BE CHICKED OFF BY HIGH PRICES. EXAMPLES OF OTHER PRICE INCREASES ARE: DOWN AND FEATHERS, UP 110 PERCENT FROM FALL, 1975; LEATHER AND HIDES, UP 35 PERCENT FROM LAST FALL; BRISTLES, UP FIVE PERCENT FROM SPRING, 1976; WALNUTS, UP 60 PERCENT FROM SPRING 1976; SEWING MACHINES, UP 20-22 PERCENT FROM SPRING 1976; CARPETS, SAME AS SPRING 1976, BUT DISCOUNTS FOR US BUYERS HAVE BEEN REMOVED, AMOUNTING TO AN INCREASE OF 15 PERCENT FOR AMERICAN BUYERS ONLY.

7. SOME US BUSINESSMEN WHO HAVE ATTENDED EARLIER FAIRS AND WHO HAVE PREVIOUSLY HAD A GOOD TRADING RELATIONSHIP WITH THE PRC, WERE DISTURBED AND DISAPPOINTED BY A NEW "TAKE-IT-OR-LEAVE-IT" LIMITED OFFICIAL USE

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ATTITUDE BY CHINESE NEGOTIATORS. A NUMBER OF FOREIGN TRADE CORPORATION OFFICIALS QUOTED PRICES AND THEN REFUSED TO DISCUSS THEM FURTHER, SAYING THAT IF THE BUYER DID NOT WANT THE GOODS AT THAT PRICE THEN HE MIGHT AS WELL NOT STAY AT THE FAIR. ONE NEGOTIATOR IN THE LIGHT INDUSTRY CORPORATION ADMITTED THAT HE WAS UNDER STRICT ORDERS NOT TO REDUCE PRICES MORE THAN FIVE PERCENT, AND EVEN THAT AMOUNT COULD BE GRANTED ONLY IN A VERY LIMITED NUMBER OF CASES. THESE BUSINESSMEN WERE AT A LOSS TO EXPLAIN THE CHANGE IN ATTITUDES THEY HAD ENCOUNTERED. IN AT LEAST TWO CASES, THE EXORBITANT PRICES, AS IN THE PAST, WERE DESIGNED TO DISGUISE EXTREMELY SHORT SUPPLIES.

8. A MORE ENCOURAGING TREND WAS NOTED BY OTHER LONG-TIME US PARTICIPANTS (AMONG THEM BAKER TRADING COMPANY, WELLMAN, INC., AND WJS) WHO FOUND THEIR CHINESE HOSTS EAGER TO REASSURE THEM OF CHINA'S CONTINUED INTEREST IN TRADE. ALTHOUGH BUSINESS WITH THE US IS DOWN FOR THE MOMENT, THE CHINESE COUNSELED PATIENCE AND STRONGLY INTIMATED THAT TRADE PROSPECTS WOULD IMPROVE IN THE FUTURE.

9. MFN. THE SUBJECT OF MFN FOR CHINA CAME UP IN NUMEROUS MEETINGS BETWEEN US BUSINESSMEN AND FTC OFFICIALS. IN SOME INSTANCES THE SUBJECT WAS RAISED BY THE AMERICANS, BUT MORE FREQUENTLY THE CHINESE BROACHED THE SUBJECT AND COMPLAINED OF DISCRIMINATION

BY THE US. THE CHINESE APPEARED TO BE PARTICULARLY SENSITIVE TO SUGGESTIONS BY AMERICANS THAT PRICE DISCOUNTS SHOULD BE GIVEN TO HELP COMPENSATE FOR US COLUMN TWO DUTY ON CHINESE GOODS. THE CHINESE RESPONSE WAS ALWAYS THE SAME: THE PROBLEM IS YOURS AND DON'T EXPECT US TO SOLVE IT.

10. RUMORS CONCERNING ELIMINATION OF SPRING FAIR. OBVIOUSLY WISHING TO FORESTALL FURTHER SPECULATION ABOUT CANCELLATION OF THE SPRING FAIR, SEVERAL FAIR OFFICIALS MADE A POINT OF TELLING AMERICANS THAT THE SPRING FAIR REMAINS AN IMPORTANT PART OF CHINA'S LIMITED OFFICIAL USE

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TRADING PICTURE AND THEREFORE WILL NOT BE ELIMINATED.

11. RECENT POLITICAL EVENTS. NEGOTIATIONS AT THE FAIR DID NOT APPEAR TO HAVE BEEN UNDULY AFFECTED BY RECENT POLITICAL DEVELOPMENTS. ON THE AFTERNOON OF OCTOBER 18 MANY FAIR EMPLOYEES PARTICIPATED IN A TWO-HOUR STREET DEMONSTRATION IN SUPPORT OF HUA KUO-FENG AND ON OCTOBER 23 THE FAIR WAS CLOSED IN ORDER TO ALLOW ITS EMPLOYEES TO ATTEND POLITICAL MEETINGS AND DEMONSTRATIONS. GATES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, MFN, TRADE FAIRS, PRICES, CANTON
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PEKING02225
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760403-0915
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976104/aaaaadeb.tel
Line Count: 251
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by greeneet>; RELEASED <24 MAY 2004 by buchant0>; APPROVED <15 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FALL 1976 CANTON TRADE FAIR
TAGS: ETRD, CH
To: SECSTATE WASHDC AIT TAIPEI TOKYO HONG KONG CINCPAC FOR POLAD
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006